

nant carrier, there may be instances from time to time where, because of the timing of tariff changes or differences in rating algorithms between carriers, a carrier's rates may be marginally above those of the dominant carrier for calls of a particular distance or duration.

C. The Method of Cost Recovery

In ¶¶52-56 of the Further Notice, the Commission described various proposals for recovering the costs of billed party preference, but reached no tentative conclusions on this issue. Local exchange carriers have the right to recover all costs that are in fact attributable to BPP, and the Commission should give them that assurance at the time BPP is ordered. However, this is an issue that the Commission does not need to resolve in deciding whether to require implementation of BPP. The extensive period of time that will be required for implementation of BPP will be ample to determine, in more detail, the optimum method of cost recovery. Sprint believes the Commission should work on developing a mechanism that reflects the nature of billed party preference, without structuring charges in such a way that some OSPs would be induced to subvert the purpose of billed party preference by opting out (through exclusive reliance on access codes) and thereby saddling their competitors with higher unit costs or risking stranded investment on the part of the LECs.³⁹

³⁹ However, if the unit costs of other LECs are comparable to those of the Sprint LECs, we believe this would be a very slight risk.

One possible approach that may have merit is MCI's proposal to treat the non-recurring costs in a fashion similar to equal access conversion costs, leaving only the recurring operating costs (including LIDB queries and the use of "live" LEC operators when necessary) to be recouped through a per-call charge. After all, billed party preference amounts to an extension of the equal access concept from direct-dialed calls to away-from-home calls, and thus the equal access conversion analogy is right on point. Exploration of the merits of this or other approaches must necessarily await review of revised LEC cost submissions. However, as noted above, there is no reason why this issue must be resolved definitively at this stage of the proceeding.

D. Selection of 0+ Carriers

1. The Primary 0+ PIC

Another issue on which the Commission sought additional comment is the method by which LEC customers should designate a "0+" PIC for their LEC calling card, collect, and third-number-billed calls. The possibilities range from simply notifying LEC customers that they have the right to choose a 0+ PIC that differs from their 1+ PIC and defaulting their 0+ traffic to their 1+ PIC until the LEC hears to the contrary from the customer (or the customer's designated agent), to the full-scale type of balloting and allocation that accompanied conversion to 1+ equal access. Tentatively, the Commission proposed (in ¶¶65-67) a middle ground between these two options: the LECs must provide each customer with a ballot and

return envelope, but customers will default to their 1+ PIC if they do not respond.

Sprint believes the Commission should adopt the simplest, least expensive and least confusing procedure for selection of 0+ PICs. While the middle ground proposed by the Commission is clearly less cumbersome and expensive than a full-scale balloting and allocation process,⁴⁰ Sprint believes that simple notification by the LEC is all that should be required. It is likely that the overwhelming majority of consumers will want to use their 1+ carrier as their 0+ PIC. For these consumers, the ballot and return envelope would only add to the costs of implementation.⁴¹

In addition, we believe that no matter how plainly the accompanying materials are written, a ballot is likely to create confusion among large numbers of consumers (many of whom, to this day, do not fully understand the divestiture of the Bell Companies from AT&T). For example, consumers that return the ballot with a different 0+ PIC than their 1+ PIC may believe that they have changed their 1+ service as well, and may call their local telephone company office or their 1+ carrier to complain about being "slammed" when they discover their 1+ carrier has not changed. Furthermore, a ballot from a LEC may

⁴⁰ In its October 1, 1993 ex parte letter, Sprint estimated that full-scale balloting and allocation would cost \$7.65 million, 50% more than its current estimate of the type of balloting proposed by the Commission.

⁴¹ As discussed earlier, the simple notification Sprint advocates would cost its LECs only \$0.1 million to implement, one-fiftieth of the cost of the Commission's tentative proposal.

be confusing to the consumer vis-à-vis direct marketing materials he or she may be receiving from OSPs. For example, if a consumer receives a solicitation from an OSP for a BPP-compatible calling card and contemporaneously receives a ballot from the local exchange carrier, the consumer may believe that returning the LEC ballot will suffice to receive the desired calling card from the OSP, when in fact that may not be the case.

Sprint also believes that any form of balloting would compound the implementation problems LECs could face. If, as Sprint advocates (see Section IV.H., below), there is a nationwide flash cut to BPP, the LECs could be faced with the daunting task of processing a huge number of ballots (many of which may indicate no change from the existing 1+ PIC) within a short amount of time.

Thus, all things considered, Sprint believes that the simple notification option would be the least confusing to the consumers and that the Commission can rely on the vigorous competition that exists in the interexchange industry to assure that consumers will be aware of the choices that they will have, should they wish to pick an OSP other than their 1+ carrier for their 0+ calls. In that regard, the Commission should also make clear that the same processes for transmitting PICs from the OSPs to the LECs for 0+ calls that are now used for 1+ PIC changes should apply, including appropriate verification for 0+ PIC changes acquired through outbound

telemarketing efforts and LOAs for resolving PIC change disputes.

2. The Secondary 0+ PIC

The Commission has also sought comment (§68) on whether the secondary 0+ PIC should be selected by the consumer or by the primary 0+ PIC, and how call branding should be handled where a secondary PIC is involved. As Sprint sees it, the main function of the secondary PIC is to assure that regional interexchange carriers have the opportunity to participate fully in billed party preference through arrangements with other carriers to handle calls that originate outside their service areas. This would enable small, regional carriers to offer their customers calling cards, collect calling and third-number-billed calls on a 0+ basis nationwide just as major IXCs could. For this reason, Sprint believes that the primary 0+ carrier should be responsible for choosing the secondary PIC: this will enhance the primary carrier's identity with its customers as a full-service carrier and will allow the regional carriers to negotiate the most favorable possible arrangements for handling their out-of-region calls with other carriers.

As for call branding where secondary carriers are used, Sprint believes the most pro-competitive arrangement is to have the call branded under the name of the primary 0+ PIC, rated using the primary carrier's rates, and billed by the primary carrier or its designated agent. Branding, rating, and billing under the name of the secondary OSP may tend to

create an image of inferiority among third-tier IXCs that would impede competition and would be inconsistent with the Commission's reliance on resale as a means of fostering competition in the interexchange market.⁴² However, in order to ensure that secondary OSPs will be able to properly brand and rate the calls, it will be necessary for local exchange carriers to include the CIC code in the OSS7 call record so that the secondary carrier will be able to accept calls on behalf of the primary carrier over SS7 interfaces and will be able to distinguish at its operator switches between calls carried on behalf of another carrier and calls carried on its own behalf. There is no technical reason why the LECs cannot include the CIC code in the SS7 call record. Sprint understands that this functionality is included in the software vendors' service designs for OSS7 at the operator tandem switch,⁴³ but in any case the Commission should make such a requirement an explicit part of the BPP service design. Such a requirement would clearly enhance competitive opportunities for regional IXCs.

A related issue on which the FCC sought comment (§69) is whether an OSP can use different secondary carriers in differ-

⁴² In resale, of course, it is the reseller, not the underlying carrier, that holds itself out as providing service to the customer and establishes the rates to be charged to the customer.

⁴³ Thus, the concerns that led the Commission not to require forwarding CIC codes from non-operator tandem switches in CC Docket No. 91-141 (see Expanded Interconnection With Local Telephone Company Facilities, Third Report and Order (FCC 94-118, released May 27, 1994) at §29) do not apply in this context.

ent geographic areas, or instead must rely on a single nationwide carrier for its backup. The answer to this question depends on the type of call being made by the consumer and, if it is a calling card call, the type of calling card involved. For any call in which carrier identification is performed in the LEC's LIDB (i.e., collect calls, third-number-billed calls and calls charged to a calling card number based on the consumer's billed telephone number ("BTN+4")), Sprint believes it would be necessary for the primary OSP to select a single secondary OSP nationwide. This is because the LIDB cannot return different PICs depending on the launching point of the LIDB query.⁴⁴ On the other hand, if the customer is using a calling card issued by the primary 0+ PIC in the CIID or 891 format, such calls would be routed on the basis of the first six digits of the card rather than a LIDB look-up, and Sprint sees no reason why the regional IXC could not make arrangements with different carriers in different regions of the country. It could, for example, instruct the LECs serving the Pacific Northwest to route calls charged to cards beginning with a particular 6-digit number to one regional carrier for completion, and instruct LECs in the Northeastern U.S. to route such

⁴⁴ Take the case, for example, of a collect call to a customer in Houston, Texas, whose primary OSP is a regional long distance carrier that originates traffic only in the state of Texas. Wherever the call is originated, the originating LEC would have to query Southwestern Bell's LIDB to determine how to route the call. As far as Sprint is aware, there is no way for LIDB to store a different secondary carrier option for a call from Seattle, Washington, than for a call originating in Columbia, South Carolina.

calls to a different regional carrier that operates in that part of the country.

The final routing-related issue raised in the Further Notice (at ¶69) is whether consumers should be allowed to designate different OSPs for international and domestic calling. The LECs' LIDBs, so far as Sprint is aware, lack the capability to store different PICs for domestic and international 0+ calls, and Sprint sees no need to develop such a capability. The Commission's resale policies and streamlined regulation of non-dominant carriers enable even very small interexchange carriers to offer worldwide service through resale of services provided by other carriers. Thus, there is little, if any, benefit from offering such a split PIC to consumers.

E. Treatment of Line-Numbered Cards in a BPP Environment

Sprint strongly endorses the Commission's conclusion (¶73) that both local exchange carriers and interexchange carriers should have an equal right to issue a line-numbered calling card ("BTN+4" card). Of the numbering formats that are compatible with billed party preference -- BTN+4, CIID and 891 -- BTN+4 is clearly the most convenient from the consumer's point of view. Since consumers already know their own telephone number, they only need to memorize a four-digit PIN. The CIID numbers, while also 14 digits in length, will appear to the consumer as a "scrambled" number that is difficult to remember. Most customers will have to look at their calling card while dialing in the calling card number, increasing the chances that "shoulder surfers" in high volume locations such

as airports will be able to see the number and make fraudulent toll calls. It is possible to use the billed number as part of the 891 format, but the 891 number will be at least 21 digits long and, as discussed in Section II.A., above, the overwhelming preference of consumers is to have the simplest access possible, with the fewest digits to dial. Thus, Sprint believes that the BTN+4 format will be the one overwhelmingly preferred by consumers in a BPP environment. As the Commission found, there is no reason why any particular carrier group should have the exclusive right to issue BPP-compatible cards in this format.

The issue then becomes how to accommodate IXC-issued BTN+4 cards in a BPP environment, given the fact that all such cards, whether issued by an IXC or a LEC, must be loaded in the LECs' LIDBs for routing and validation.⁴⁵ There are a number of conditions that should be imposed on the LECs to assure that IXC-issued cards are treated equally vis-a-vis LEC-issued cards, and that LECs undertake the enhancements to their LIDBs necessary to accommodate the IXCs' needs. First, the LECs must not be allowed to charge more than their costs for entering and storing IXC-issued PINs in their LIDBs. Second, the LECs must make reasonable accommodations in their LIDBs of service features desired by IXCs. One important such feature is the ability of an IXC to issue multiple PINs for a

⁴⁵ This is because there is no way for the LECs' operator switches to determine, from the BTN+4 number, who the PICed OSP is.

single BTN. Sprint sees no reason why the LECs' LIDBs cannot readily be modified to accommodate as many as 20 separate PINs -- all associated with the same IXC -- for a particular BTN, and has confirmed this technical feasibility in discussions with Pacific Bell.⁴⁶ Furthermore, Southwestern Bell has claimed that "SWBT cards have the technical capability for 20 different PINs to be assigned to each card account."⁴⁷ Such capability should be extended to an IXC-issued card account as well. Similarly, any enhancements in an LEC's LIDB and associated systems needed to accommodate enhancements to its own calling cards should be made available to the IXCs at the same time and with the same advance notice. Sprint believes these are reasonable conditions to be placed upon the operations of the LECs' LIDBs and, in the event the LECs are not willing to comply with such conditions, the Commission should consider requiring neutral third-party ownership of LIDB databases.

The Commission (in ¶74) sought further comment on the costs and benefits of 14 vs. 10-digit screening. The term "10-digit screening" is something of a misnomer, since the LIDB always examines all 14 digits of a calling card number to verify that the last four digits constitute the appropriate PIN for the line number shown in the first ten digits. The major difference between "14-digit screening" and "10-digit screening" is that with the former, the LIDBs would have the

⁴⁶ See, also, Pacific's December 2, 1993 ex parte submission.

⁴⁷ Ex parte letter dated December 8, 1993.

capability to store BTN+4 cards having different PICs for more than one IXC (e.g., a consumer could have a BTN+4 card from Sprint, one from AT&T and a Southwestern Bell card Piced to MCI) whereas with 10-digit screening, the BTN+4 card could only be associated with one IXC for each 10-digit BTN.

There are three benefits of 14-digit screening. First, even in a BPP environment -- where consumers are assured of being connected to their preferred carrier using 0+ dialing nationwide -- some consumers will want to carry multiple BTN+4 calling cards associated with different IXCs. Without 14-digit screening, they would have to choose between a BTN+4 card that is intended to be used with an access code, and a CIID or 891 card with 0+ access.

A related benefit is that 14-digit screening would facilitate competition by smaller carriers and newer entrants. It has been Sprint's experience that it is far easier to persuade a customer to try Sprint's service while having the option of continuing to use the customer's pre-existing carrier, than to persuade customers to make an all-or-nothing change. For example, it is easier to convince a multi-line business customer to switch a few of its lines for a trial period than to make a complete cutover to a new carrier. The same holds true for calling cards as well. With 14-digit screening, a customer could try the features of a new carrier's BTN+4 calling card without having to abandon his or her ability to keep an existing BTN+4 card from another carrier. By contrast, 10-digit screening would force consumers to make an all-or-

nothing choice between 0+ BTN+4 cards that could impede competitive efforts, especially of newer entrants or smaller carriers.

Third, there are many customers now accustomed to having both a LEC-issued card and an IXC-issued card. It is not at all clear to Sprint that this would be possible with 10-digit screening.⁴⁸ If consumers are forced to choose between a LEC-issued and an IXC-issued BTN+4 card, there might be a never-ending tug-of-war between the LEC and the IXC over who issues the card (and bills and collects for calls charged to that card), a battle that would intensify if the RBOCs see themselves as being able to enter the long-distance market. With 14-digit screening, consumers could retain both an IXC-issued and a LEC-issued BTN+4 card.

Thus, 14-digit screening would result in added benefits and flexibility for consumers and carriers alike. The evidence to date is that the added costs of 14-digit screening should be relatively low, particularly in relation to total BPP implementation costs. Estimates range from as little as \$720,000, spread among all LIDB owners,⁴⁹ to a high of \$15.6 million in non-recurring costs and \$1.8 million in ongoing an-

⁴⁸ It is Sprint's understanding that with 10-digit screening, as that term has commonly been used, there could only be a single calling card account associated with each BTN. Thus, only one carrier -- the LEC or the IXC -- could have responsibility for issuing the card, and billing and collecting for calls charged to that card.

⁴⁹ See, BellSouth's July 7, 1992 Comments at 7. However, this estimate does not include added administrative costs described in BellSouth's comments.

nual expenses by Southwestern Bell,⁵⁰ with GTE (\$2.0 million in apparently non-recurring costs)⁵¹ and Pacific (\$3.1-5.2 million in up-front costs)⁵² in between. Sprint believes Southwestern Bell's estimate is clearly overstated: it assumes that SWB would have to store BTN+4 cards for as many as 19 IXC's per BTN. There is no reason to assume any customer would want cards from 19 IXC's, and the Commission could place a limit on the number of different BTN+4 card accounts to which any given customer would be entitled. Furthermore, Southwestern Bell's estimate includes some costs that would have to be incurred even with 10-digit screening, such as card honoring agreements to allow IXC billing of LEC-handled intraLATA calls charged to IXC-issued cards in cases where the customer opts for an IXC BTN+4 card instead of a LEC-issued card. Thus, the much lower estimates of BellSouth, GTE and Pacific are entitled to far more credence than Southwestern Bell's.

However, if the Commission believes that 10-digit screening is the better choice, it should take steps to ensure that IXC's do in fact have an equal right to issue BTN+4 cards. First, since the customer should have the option of choosing between a LEC-issued BTN+4 card and an IXC-issued BTN+4 card, the LEC must agree to load IXC-selected PINs into its LIDB database upon authorization by the consumer or its designated

⁵⁰ Ex parte letter dated December 8, 1993, Attachment A.

⁵¹ Ex parte letter dates June 25, 1993, at 2.

⁵² Ex parte submission dated December 2, 1993.

agent.⁵³ This means that on receipt of an authorized order from an IXC to load a four-digit PIN for a particular BTN into the LIDB, the LEC must be willing to cancel its existing calling card and remove that PIN from LIDB. Likewise, in cases where the customer has expressed a preference for an IXC-issued card instead of a LEC-issued card, the Commission should make clear that the IXC is entitled to bill and collect from the customer for all calls charged to that card including intraLATA calls handled by the LEC (unless the IXC decides to utilize the LECs' billing and collection services on its behalf), just as the LECs should be entitled to bill and collect on behalf of the IXC for any calls charged to a LEC-issued card. In addition, at the time BPP is initially implemented, an existing LEC-issued BTN+4 card should not have any presumptive validity over an existing IXC-issued BTN+4 card.

F. Commercial Credit Cards

The Commission tentatively determined (§80) that BPP should accommodate commercial credit cards so long as they conform to ISO/ANSI standards on the same basis as 891 and CIID cards. This would mean, as Sprint understands it, that the LEC switch would be able to determine the identity of the issuer from the first six digits of the credit card number, and route the call to a LIDB-type database operated by that issuer to determine the routing of the call.

⁵³ For this purpose, the PIC change procedures and "anti-slamming" safeguards used for 1+ PICs should also be employed for 0+ PICs, and CARE feed procedures should be modified.

Sprint has, in the past, supported inclusion of commercial credit cards within BPP so long as no additional costs or technical problems would be created by such an accommodation, and it continues to adhere to that view. However, it is Sprint's understanding that there is an overlap between the first six digits of some commercial credit cards and the NANP numbers that would be used for BTN+4 cards or CIID cards. This creates an issue as to how the LEC operator service switch would be able to determine whether a call should be routed to a LEC LIDB, an IXC CIID database or the credit card issuer's database. It is Sprint's hope that the comments of other parties -- particularly credit card issuers -- will illuminate whether this problem can be solved and if so at how much additional cost, as well as the extent to which credit card companies are interested in using their card numbers as calling card numbers as well.

G. Restrictions on Dialing Around BPP

While the Commission has not asked for additional comment on this issue, Sprint supports the Commission's conclusion (§82) that if it adopts BPP it will prohibit aggregators from programming their phones to convert 0+ calls into calls that bypass the BPP system. We urge the Commission to adopt the tightest possible technical standards in Part 68 of the Rules to assure that equipment is not capable of such circumvention of billed party preference and to enforce this requirement vigorously. As indicated earlier, the Commission should address issues relating to the treatment of competitively pro-

vided payphones vis-à-vis LEC-owned payphones, and should do so as soon as practicable, but once it determines those underlying public interest issues, it should not see those determinations and the determinations in this proceeding eroded by illegal circumvention of BPP requirements.

H. Timing of Implementation

The final issue on which the Commission has sought further comment is how soon after a final Commission order could BPP be implemented. First, Sprint urges the Commission to order implementation on a flash cut basis nationwide. If implementation occurs on a staggered basis in different regions of the country or different portions of an individual LEC's serving area, there will be mass confusion during the implementation period, since consumers will never know what dialing procedure should be used in any given locality until the implementation has been completed.

Sprint believes that the Commission should allow 2-1/2 years from the issuance of an order mandating BPP for its implementation, provided that OSS7 signaling is not required at the end office level. This should be a sufficient period to allow all necessary software development and hardware acquisitions to be completed, installed and tested, and to accommodate the administrative task of loading 0+ PICs in the LIDBs. However, if the Commission does order deployment of OSS7 to the end office level, it must allow considerable additional time for conversion of older switches -- particularly on the part of independent LECs -- to full digital technology. For

the reasons discussed above, Sprint believes that such a course of action would add little value to BPP but would impose substantially higher costs on independent LECs, and should not be undertaken at all. In the event the Commission disagrees, it should request additional information from the local exchange industry on the length of time needed to undertake the necessary switch conversion.

IV. CONCLUSION

Through the adoption of an appropriately structured program of billed party preference, as discussed in these comments, the Commission can take a major step forward in restoring confidence in the integrity of the communications system to consumers that have been frustrated by high charges and confusing dialing plans for away-from-home calls for the past several years, and can eradicate the last structural barrier within the direct jurisdiction of the Commission to full and fair competition among interexchange carriers. The benefits - both quantifiable and intangible -- of implementing billed party preference far outweigh the implementation costs. The issue of whether to require billed party preference has been before the Commission, in one form or another, for seven years, and in view of the fact that a substantial additional

period would be needed after a final Commission decision to make billed party preference a reality, Sprint urges the Commission to issue an order, at the earliest possible date, mandating implementation of billed party preference.

Respectfully submitted,

SPRINT CORPORATION

A handwritten signature in dark ink, appearing to read "H. Richard Juhnke", is written over a horizontal line.

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Its Attorneys

August 1, 1994

FONCARD
Tracking Program
(Benchmark Wave)
November, 1992
Conducted for



by
Burke Marketing Research

SPRINT
Proprietary Information
RESTRICTED

#2-317-1

FONCARD & Competitive Card
Tracking



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*FONCARD Tracking Program
Benchmark Wave*

Introduction

Background

Sprint has relaunched its FONCARD, with a new look and new features. The overall purpose of this project was to establish benchmark quality of services/features measurements, for both Sprint and major competitors, against which progress can be measured. Plans are to repeat these measurements at various intervals in order to track changes.

Objectives

The specific objectives of this study are:

- Obtain customer satisfaction measurements for FONCARD and for calling cards from AT&T and MCI
- Obtain diagnostic information regarding the perceived product strengths and weaknesses of each calling card
- Obtain information on the awareness, usage, satisfaction and interest levels for selected specific FONCARD features
- Obtain this information for both residential and business markets



*FONCARD Tracking Program
Benchmark Wave*

Introduction

Samples

- Business and residential end users of each carrier's calling cards
- Qualifications:
 - Use a calling card from Sprint, AT&T or MCI at least once every 2-3 months
 - For business users, the card must have been obtained by the user through their place of employment
- Respondents questioned about only one card if they have more than one (the one used most often)
 - For Business, respondents asked about the card used most often for business
 - For Residential, respondents asked about the card used most often at their residence

Sampling Plan

- Sprint (both business and residential) card users provided to Burke by Sprint
- AT&T and MCI business card users from businesses identified by the Brand Image Tracking Study as users of AT&T or MCI
- AT&T and MCI residential card users from NFO's national panel

Data Collection Method And Dates

- Telephone Interviews
- Interviewing was conducted September 9 - October 2, 1992

November, 1992



*FONCARD Tracking Program
Benchmark Wave*

Introduction

Number Of Interviews Completed

Number Of Completed Interviews			
	Combined <u>Bus. & res.</u>	<u>Business</u>	<u>Residential</u>
Sprint	607	300	307
AT&T	296	152	144
MCI	266	114	152

99 of the Sprint interviews were with users who had received the new FONCARD, and the remainder had the old FONCARD.

Weighting

The data in this study were weighted on two dimensions to more closely align the samples examined. The first dimension weight aligned residential respondents on the frequency of use of their calling card. The second dimension weight was applied to MCI customers to achieve a 50/50 split between residential and business users in the combined data.

Questionnaires

A copy of the questionnaires used in this study are included in the Appendix of this report.



*FONCARD Tracking Program
Benchmark Wave*

Management Summary

Overview

- Overall, the AT&T card received the best ratings
 - AT&T's lead over Sprint and MCI was greater among Business users than among Residential users
 - AT&T's advantage was primarily linked to "Ease Of Use", particularly "Fewer Digits To Dial" and general "Ease Of Access" (the majority of AT&T users simply dial "0" for access)
 - Sprint and MCI's strength is in perceived lower cost



*FOINCARD Tracking Program
Benchmark Wave*

Management Summary

Highlights of the **Overall Ratings** include:

- Among the samples examined in this benchmark, AT&T achieves significantly higher Happy Customer ratings than both Sprint and MCI (significant at the 90% c.l.). This is true for both Business and Residential customers and, consequently, the combined sample. Over half of AT&T's customers are "happy"